

BRITISH COLUMBIA
PUBLIC SCHOOL EMPLOYERS'
ASSOCIATION

Principles of an Effective Exempt Staff Compensation System

Table of Contents

	Page No.
<u>Introduction</u>	1
<u>Approach of ESCWG</u>	2
<u>Principles of an Effective Exempt Staff Compensation System</u>	3
<u>Established Philosophy</u>	3
<u>Rational Structure</u>	7
<u>Ongoing Administration</u>	8
<u>Consistent Communication</u>	11
Resources:	
Glossary of Terms.....	13
Total Rewards Inventory	21

Introduction

During the 2006-2007 school year, the British Columbia Public School Employers' Association (BCPSEA) established an Exempt Staff Compensation Working Group (ESCWG), comprised of representatives from the BC School Superintendents' Association, the BC School District Secretary Treasurers' Association, the BC Principals' and Vice Principals' Association, a district human resources practitioner, the Public Sector Employers' Council Secretariat, and BCPSEA. The ESCWG was moderated by an external compensation consultant.

The working group's terms of reference are:

- To examine the inter-relationship and implications of unionized collective agreements on exempt staff compensation structures
- To review relevant demographic data and identify demonstrable recruitment and retention challenges
- To articulate guidelines and principles for the development of effective compensation structures and administration processes.

We recognized that there was, and to some degree still is, a considerable amount of anecdotal information in the sector with respect to exempt staff compensation matters. The ESCWG was intended to bring senior staff representatives together for discussion of the relevant and emergent issues, to obtain and review data that would support or dispel the anecdotal information, and to create a common understanding of the specific regime in the K-12 public education sector as well as industry-standard approaches to compensation structure development and review. There is also recognition that exempt staff compensation development and review operates within the context of a highly political environment, both at the local board of education level and at the provincial level.

Principles of an Effective Exempt Staff Compensation System, which summarizes the ESCWG discussions to date, provides a tool for districts to utilize when developing or reviewing the exempt staff compensation structure, or compensation for individual positions (i.e., legitimate reclassifications) within the structure.

This document must be utilized in conjunction with:

- the *Public Sector Employers Act*, which establishes the legislative policy framework for exempt staff compensation administration in the public sector
- the BCPSEA exempt staff compensation management plan (Policy 95-06, *Compensation and Employment Standards for School District Employees Not Subject to a Collective Agreement*), which is an approved compensation plan under the legislation, and
- the *Public Education Negotiating Framework Compensation Plan – Exempt Staff (2006-2010)*.

Under the current regulatory regime, any increase proposed to the total compensation package for executive or exempt staff must be submitted to BCPSEA for review and approval prior to implementation. It should be noted, however, that *Principles of an Effective Exempt Staff Compensation System* is designed to be compatible with whatever compensation administration system may exist at any given time, for example:

1. An "open" system with employers able to exercise decision-making without a detailed regulatory regime.
2. An open system with general parameters and reporting.
3. The same or similar regulated system as is currently in place.

Approach of the ESCWG

The ESCWG discussions were focused on establishing a framework for exempt staff compensation that is rational, defensible, competitive and able to be effectively administered within a variety of differing regulatory contexts.

The ESCWG took the approach that:

- Exempt staff compensation should reflect the relative value of an individual employee's contribution to the organization, a principle that should be applicable to all employees in the organization.
- The public school employer community will benefit from a thoughtful discussion of the challenges inherent in establishing and maintaining fair and equitable exempt staff compensation practices within its individual organizations.
- There is value in highlighting good governance practices — the policy-setting role of school boards with policy administration by senior staff — that are effective in the development and maintenance of exempt staff compensation structures.

By encouraging practices that enable public school employers to recruit, retain, incent, and reward their employees, the ESCWG hopes to address both the real and perceived problems associated with exempt staff compensation.

In the K-12 sector, we commonly refer to salary and benefits as compensation. Compensation should more properly be considered as a total rewards model which includes all the elements of the total compensation package (see the Total Rewards Model on page 4, and the Total Rewards Inventory under Resources).

Additionally, although we acknowledge that executive compensation remains a matter of high interest for school boards and senior management staff, and the difficulties posed by a lack of timeliness with respect to decisions on executive salaries in the K-12 sector during the past several years, the design of compensation for executive staff is not specifically addressed. However, the concept of executive compensation is referenced in terms of overarching principles and approaches.

Further, underlying the principles and approaches articulated is the understanding that legal and regulatory mandates are considered a baseline for implementing any compensation plan or practice.

Principles of an Effective Exempt Staff Compensation System

A compensation system that has fairness at its foundation typically integrates various aspects of the best practice categories¹ below. In addition to the general challenges of implementing and maintaining a rational and equitable compensation system, exempt staff compensation in the public sector operates within a highly political environment. A high degree of transparency and public accountability is required.

➤ Philosophy

A clearly communicated philosophy or set of principles that guide development, maintenance, and decision-making, including

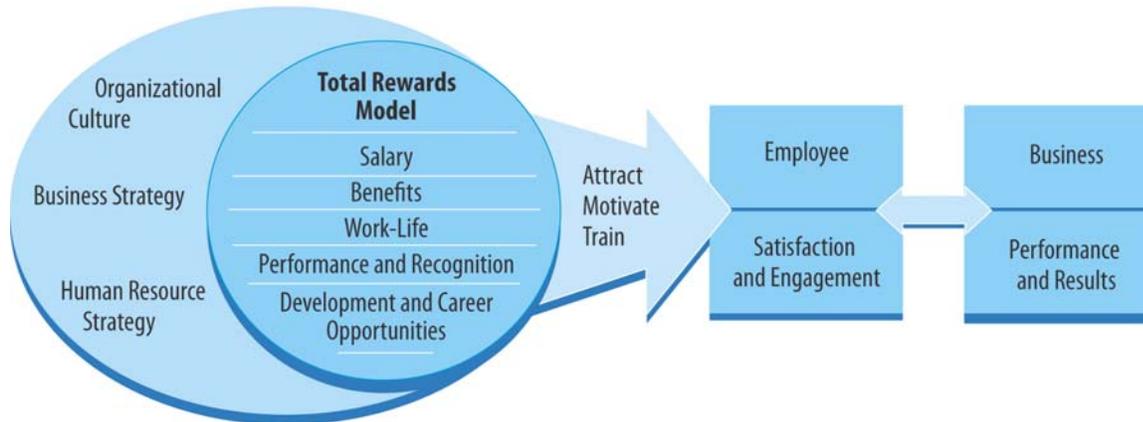
- Alignment of the compensation philosophy with the organization's overall business plan and human resources strategy. In the K-12 public education sector, this would include plans that establish education, business, and human resources objectives.
- Consideration of all components of the total rewards model.²
- Consideration of the relevant labour market for compensation comparison purposes.
- Articulation of any differentiation in compensation practices (e.g., paying certain positions at a different level relative to the market because they are in higher demand).
- Clearly determining an approach for paying external hires relative to incumbents.
- Linking pay ranges to neutral, relevant factors (e.g., required skill level, required competencies, job content, required qualifications).
- Ensuring appropriate relationships exist between positions in the organization's compensation hierarchy.
- Considering the ways in which appropriate organizational and individual performance measures³ may be linked to the administration of the compensation system.
- Promoting an integrated view of compensation and rewards — not only traditional, quantifiable elements but also more intangible elements such as career opportunities, learning and career development, work challenge, and supportive culture — a total rewards model that further integrates with the employer's Strategic Workforce Plan.

¹ "Pathways and Progress: Best Practices to Ensure Fair Compensation." The Chicago Area Partnerships, May 2003.

² Total Rewards Model. WorldatWork: 2007.

³ Although the ESCWG engaged in some discussion on the concept of performance as it relates to the compensation system, there was no agreement on its applicability to exempt staff in the K-12 public education sector.

Total Rewards Model



Total rewards are defined as the monetary and nonmonetary return provided to employees in exchange for their time, talents, efforts and results. Total rewards involve the integration of key elements that effectively attract, motivate and retain the talent required to achieve desired business results. An important dimension of the model is the “exchange relationship” between the employer and employee. Successful organizations realize that productive employees create value for their organizations in return for tangible and intangible value that enrich their lives. The employer provides total rewards which are valued by the employee and the employee provides time, talent, effort and results. Using the total rewards approach, the employer strives to find the appropriate mix of total rewards elements that will not only attract, motivate and retain employees, but lead to employee satisfaction and engagement as well.

The *Employment Value Proposition* (EVP)⁴ is central to the recruitment and retention of qualified personnel based on the EVP matrix. The EVP integrates with the Total Rewards Model.

⁴ “Attracting and Retaining Critical Talent Segments: Building a Competitive Employment Value Proposition.” Leadership Council. The Corporate Executive Board. Washington, DC: 2006.

The Five EVP Categories



Employment Value Proposition

The set of attributes that the labour market and employees perceive as the value they gain through employment in an organization

Limitations

- The organization has not developed and communicated its compensation philosophy and system.
- The organizational culture doesn't support the compensation system and practices.
- The compensation philosophy, system and practices are not applied consistently to all levels of the organization.
- The organization has not maintained its compensation system or articulated changes to the system.
- The organization has failed to recognize the unintended consequences of particular compensation decisions.
- The regulatory regime has not processed and communicated, in an understandable and timely manner, decisions related to exempt and executive compensation.

■ Rational Structure

The compensation structure is only as effective as the systems designed to implement the compensation philosophy. Underlying the structure is the understanding that legal and regulatory mandates are considered the baseline for implementing and maintaining any compensation system or process. Best practices related to the structure of compensation systems and processes include:

- Integration with the organization's Strategic Workforce Plan.
- Utilization of appropriate resources and processes to establish and monitor compensation criteria and decisions.
- Understanding the impact of relevant labour market forces and/or labour market data on the compensation system.
- Linkage of the organization's compensation system with appropriate performance measures,⁵ and ensuring employee understanding of the linkage.
- Establishment of appropriate compensation differentials. In the K-12 sector, salary differentials between exempt staff positions have typically been narrower than research indicates is the case in other public and private sector organizations. Establishment of appropriate differentials within an individual district's exempt compensation structure must be undertaken with reference to the district's organizational structure, the job content of the specific positions, and district size. Differences in districts' organizational structures make it difficult to generalize differentials throughout the province.
- Recognizing salary compression issues and formulating strategies to resolve them.
- Identification and resolution of issues, including potential fairness issues, when considering compensation levels, legitimate reclassifications, or reviewing placement of individual positions within the compensation structure.
- Processes and procedures to ensure that appropriate consultation occurs between the employer and its exempt employees.
- Processes and procedures to ensure that the consequences for the sector arising from individual employer compensation decisions are understood.

Limitations

- Inaccurate assumptions are made regarding the necessity (or lack of necessity) of certain qualifications for a particular job — this has the potential to influence the market data used to benchmark that job.
- There is a lack of clarity regarding how the performance management system relates, if at all, to the compensation system.
- The organization has not been able to resolve issues related to compensation — particularly salary — compression.
- Different compensation systems within the organization are not all tied to the same overarching compensation philosophy and are inconsistent with the organization's Strategic Workforce Plan.

⁵ Although the ESCWG engaged in some discussion on the concept of performance as it relates to the compensation system, there was no agreement on its applicability to exempt staff in the K-12 public education sector.

➤ Ongoing Administration

Consistent and ongoing administration of the compensation system should include the following best practices:

- **Maintenance:** Engage in ongoing maintenance of the compensation system to ensure that reality matches philosophy and that equity is maintained. Ensure that total compensation levels are benchmarked externally against the appropriate labour market and internally against appropriate job evaluation criteria.

Relevant labour market: Consistent with industry standards, “labour market” is defined in the BCPSEA exempt compensation management plan (Policy 95-06) as:

- The recruitment pool for these employees
- The destination sector for these employees.

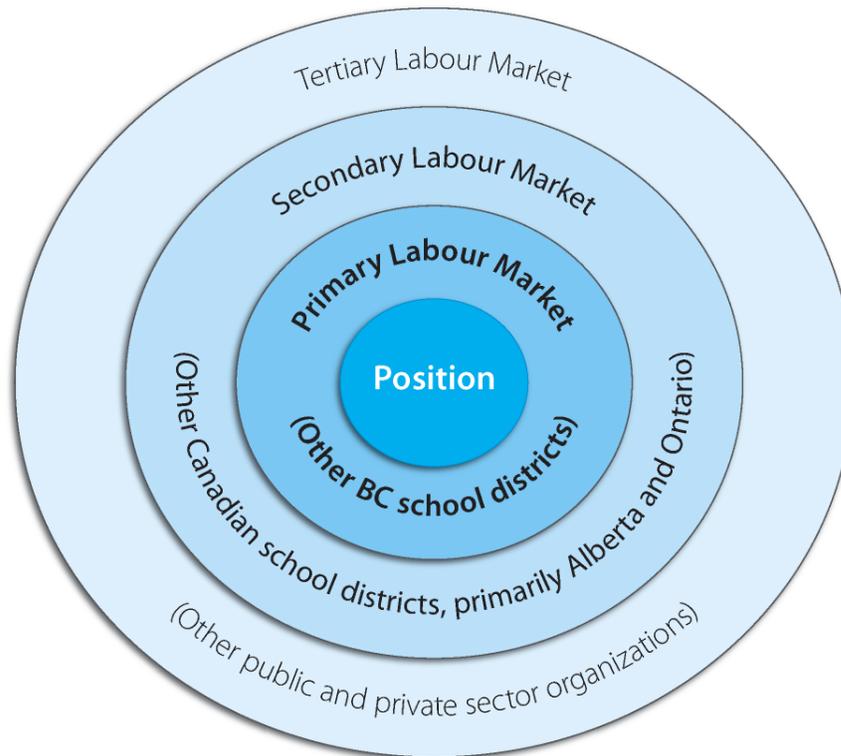
The following considerations guide articulation of the relevant labour market:

- Degree of recruitment from these jurisdictions
- Transferability of skills
- Comparability of qualifications and experience
- Comparability of authority and consequence of error.

For exempt staff positions in the BC K-12 public education sector, the relevant labour market is:

1. Other BC school districts (primary labour market)
2. Other Canadian school districts⁶
3. Other public sector organizations
4. Selected private sector organizations.

Relevant Labour Market



Evaluation Metrics: The relevant labour market is further articulated for compensation comparison purposes by reference to the following evaluation metrics:

- Specific job duties/responsibilities (job match)
 - Employer annual operating budget
 - School district student full time equivalent enrolment
 - Geographic region
 - Full time equivalent employees
 - District-specific structural considerations.
- **Training and Organizational Support:** Individuals responsible for exempt staff compensation often require training so they understand the basic principles of compensation and the organization's compensation philosophy. Training is recommended

⁶ To the extent that BC school boards recruit from and lose employees to these jurisdictions, this segment of the labour market is weighted to Alberta and Ontario (and to a lesser extent, Saskatchewan) consistent with the industry-standard definition of labour market.

in order to assist individuals in understanding how to make compensation decisions, communicate about compensation to employees, and navigate effectively through the appropriate approval processes.

Individuals are trained to understand the risks and benefits of open communication with employees on compensation, and are supported in communicating about compensation in the organization.

The reality that those individuals responsible for exempt staff compensation matters are dealing with their own compensation as well and must separate their individual interests from the organization's interests.

- **Performance:** Where appropriate performance measures are linked to the compensation structure⁷ and a clear, well communicated performance management system is in place:
 - The employer and employee set clear standards and/or goals at the beginning of the cycle.
 - The employer and employee agree at the outset how performance will be measured.
 - Regular progress discussions take place between the employer and the employee.
 - Discussion of performance between the employer and employee focuses on past performance/achievement, future development, and goal-setting for the next cycle.

Limitations

- The lack of integrated organizational systems; e.g., the recruitment process is not fully aligned with the compensation philosophy or system.
- The organization's financial position may limit the available funds for compensation adjustments.
- Ad hoc discretionary compensation decisions are being made which are not consistent with the articulated compensation philosophy and pre-established criteria under the compensation system.
- Compensation decisions are made and implemented by managers not familiar with the compensation system.
- Inappropriate job matches can create unfairness. For example, jobs with similar titles may include significantly different duties and responsibilities.
- There is no systematic maintenance process. Failure to review the compensation system periodically and make demonstrated changes can result in inequities and perceived unfairness. The maintenance process itself may become an issue if the process selected is designed to drive a pre-determined outcome as opposed to providing the best available objective data.

➤ **Consistent Communication**

A well-communicated compensation system eliminates confusion, cynicism, suspicion, and promotes transparency, understanding and buy-in from employees. Best practices for communicating the compensation system include:

⁷ Although the ESCWG engaged in some discussion on the concept of performance as it relates to the compensation system, there was no agreement on its applicability to exempt staff in the BC K-12 public education sector.

BRITISH COLUMBIA
PUBLIC SCHOOL EMPLOYERS'
ASSOCIATION

- Benchmarks for measurement that are clearly defined up front.
- Good dialogue and messaging from the top (CEO and the Board), including:
 - Manager-to-manager communication
 - Communication between managers and employees to set objectives and discuss performance and compensation
 - Compensation structures that are shared with employees to facilitate open dialogue and provide explanation and understanding.
 - Encouragement of two-way responsibility for initiating conversation about compensation. This provides employees with some responsibility for communicating with their managers about their compensation.
- An identified process for employees to express concerns about their compensation. Transparency
 - employees must understand the compensation system, processes, and decisions/outcomes.

Limitations

- A lack of comprehensive, regular communication on compensation matters can facilitate inconsistent practices and foster feelings of inequity and misplaced favouritism amongst employees. Examples include failure to communicate total rewards; failure to discuss salary ranges; and failure to institute a process for raising and resolving issues.

GLOSSARY OF TERMS

A

anniversary date

The date used in some pay systems to trigger a review of the employee's salary and/or to trigger a potential salary increase. It may be the anniversary of hiring, last pay increase, promotion or some other reference point.

annual bonus

Usually a lump-sum payment (cash, shares, etc.) made once a year in addition to an employee's normal salary or wage for a fiscal or calendar year. Generally nondiscretionary and not based on predetermined performance criteria or standards (which distinguishes an annual bonus from an incentive).

area differential

Allowance paid to domestic or expatriate employees in certain geographic areas based on different average pay levels and/or cost of living.

automatic wage progression

Automatically increasing wages after specified periods of service, until the employee reaches the top of his or her salary range. Automatic wage progression often is achieved through an automatic step-rate pay system. (Also known as length-of-service increases.)

B

base pay

The fixed compensation paid to an employee for performing specific job responsibilities. It is typically paid as salary, hourly or piece rate.

base pay structure

The hierarchy of job grades and pay ranges established within an organization. The salary structure may be expressed in terms of job grades, job-evaluation points or policy lines.

benchmark job

A job that is commonly found and defined, used to make pay comparisons, either within the organization or to comparable jobs outside the organization. These are specific and realistic job specifications that relate to what, why and how work is done on a specific job, and as such are imposed on all employees equally.

best practices

Programs, initiatives or activities which are considered leading edge, or exceptional models for others to follow.

bonus pay plans

Cash or other items of value, such as stock or stock options, based on accomplishments achieved. Incentive plans are "forward" looking; bonus plans look "backward."

C

career ladder

A series of defined levels within a job family where the nature of the work is similar (e.g., accounting, engineering) and the levels represent the organization's requirements for increased skill, knowledge and responsibility as the employee moves through a career. Parallel, or overlapping, ladders called dual career ladders are sometimes created to allow for "cross-overs" into another ladder (e.g., from engineering into management). Also called career pathing.

cash compensation

The sum of all cash payments made to an individual for services (i.e., employment) during a given year.

common review date

The date on which all (or a group of) employees receive pay increases. For example, an organization may implement increases for all employees on April 1; employees hired off cycle usually receive prorated increases. Also known as focal point review date.

compa-ratio

The ratio of an actual pay rate (numerator) to the midpoint or some other control point for the pay range (denominator). Compa-ratios are used primarily to measure and monitor an individual's actual rate of pay to the midpoint or control point of their range. A compa-ratio can be calculated for a group, a department or an entire organization.

compensation cost

The total cost to the organization, including the unrealized or unknown future cost effects of today's compensation decisions regarding the total compensation program. Included are base pay, incentive opportunities, benefits costs and liabilities, perquisite costs, and time-off programs (vacations, sick pay, etc.).

compensation strategy/philosophy/policy

The principles that guide design, implementation and administration of a compensation program at an organization. The strategy ensures that a compensation program supports an organization's mission, goals and business objectives. It may also specify what programs will be used and how they will be administered. The philosophy ensures that a compensation program supports an organization's culture. The policy ensures that a compensation program carries out the compensation strategy while supporting the compensation philosophy.

compensatory time off

Paid time off for hours worked outside of the normal work week.

competitive pay policy

The strategic decision an organization makes about which labour markets to use as comparison groups and how to set pay levels with respect to those groups. After choosing the comparison group, the organization must decide its market position with respect to the group.

compression

Pay differentials too small to be considered equitable. The term may apply to differences between (1) the pay of supervisors and subordinates, (2) the pay of experienced and newly hired personnel of the same job, and (3) pay-range midpoints in successive job grades or related grades across pay structures.

Consumer Price Index (CPI)

An indicator of the cost of living published by Statistics Canada. It is an indicator of the changing purchasing power of the dollar. Specifically, it measures price changes of items in a fixed "market basket" of goods and services purchased by a hypothetical average family.

control point

The point within a salary range representing the desired pay for a fully qualified, satisfactory performer in a job or group of jobs at a given time (usually the midpoint of the salary range).

cost-of-living adjustment (COLA)

An across-the-board wage and salary increase or supplemental payment designed to bring pay in line with increases in the cost-of-living to maintain real purchasing power.

D

differential

Differences in salary between positions in an organization's salary structure.

E

earned time off

An incentive or reward that takes the form of pay for time not worked.

effective date

(1) The date on which a benefit plan or insurance policy goes into effect, and from which time coverage is provided. (2) The date on which increases in salary or pay rate go into effect.

external equity

A measure of an organization's pay levels or bands or "going market rates" compared to that of its competitors. As a fairness criterion, external equity implies that the employer pays wages that correspond to prevailing, external market rates, as determined by market pricing.

G

general increase

An identical pay raise – either in a flat rate such as cents per hour or as a percentage of salary – given to all eligible employees. Also known as an across-the-board increase.

green circle rate

A rate paid to an employee who is paid below the established pay range minimum for a specific job. Hence, the incumbent is usually eligible for larger or more frequent base salary increases until pay penetrates the range minimum.

governance practices

The policies, processes, knowledge, structure and communication strategies used to design, manage, administer and communicate compensation programs.

H

holidays

Specific days when most employees do not work but are paid as if they did (i.e.: includes statutory and general holidays but not vacation). Employees who do work on such days typically receive premium pay or compensatory time off. The number of paid holidays granted by employers may vary by industry group and by geographic region.

I

incentive pay plan

Formula-driven pay plan that is designed to reward the accomplishment of specific results. Rewards usually are tied to expected results identified at the beginning of the performance cycle. The plans can be individual, group, organization-wide or a combination thereof. Incentive plans are forward-looking; in contrast to bonuses, they are not discretionary.

incumbent

A person occupying and performing a job.

internal equity

A fairness criterion that directs an employer to establish wage rates that correspond to each job's relative value to the organization.

J

job analysis

The systematic, formal study of the duties and responsibilities that comprise job content. The process seeks to obtain important and relevant information about the nature and level of the work performed and the specifications required for an incumbent to perform the job at a competent level.

job cluster

A series of jobs, clustered for job evaluation and wage-and-salary administration purposes on the basis of common skills, occupational qualifications, technology, licensing, working conditions, union jurisdictions, workplace, career paths, and organizational tradition.

job description

A summary of the most important features of a job, including the general nature of the work performed (duties and responsibilities) and level (i.e., skill, effort, responsibility and working conditions) of the work performed. It typically includes job specifications that include employee characteristics required for competent performance of the job. A job description should describe and focus on the job itself and not on any specific individual who might fill the job.

job evaluation

A formal process used to create a job worth hierarchy within an organization. The two basic approaches are the market data approach and the job content approach.

job family

A group of jobs having the same nature of work (e.g., engineering) but requiring different levels of skill, effort, responsibility or working conditions (e.g., entry-level vs. senior engineer).

job grade

One of the classes, levels or groups into which jobs of the same or similar value are grouped for compensation purposes. Usually, all jobs in a grade have the same pay range: minimum, midpoint and maximum. However, sometimes different jobs in the same pay grade have different pay ranges, due to market conditions for some of the jobs.

job title

The descriptive name for the total collection of tasks, duties and responsibilities assigned to one or more individuals whose positions have the same nature of work performed at the same level. Job titles should describe the nature and level of work performed. Titles often include the organizational function (e.g., Corporate Compensation Analyst) or geographic responsibility (e.g., Eastern Region Sales Manager).

job worth hierarchy

The perceived internal value of jobs in relationship to each other within an organization. The job worth hierarchy forms the basis for grouping similar jobs together and establishing salary ranges.

L

labour market

A place where labour is exchanged for compensation. These places are identified and defined by a combination of the following factors: (1) geography (i.e., local, regional, national, international); (2) industry; (3) education, experience and licensing or certification required; and (4) function or occupation.

linear regression

The statistical technique of fitting a straight line to a set of (x,y) data, using the method of least squares. Linear regression assumes that the basic relationship between the two variables is linear in nature.

lump-sum merit payment

When merit pay is delivered in the form of a single cash payment separate from base pay (i.e., not folded in). It must be "re-earned" annually.

M

market adjustment

The percentage increase to organization, group or individual pay that is necessary to adjust it to the estimated market level.

market pricing

Relative to compensation, the technique of creating a job-worth hierarchy based on the "going rate" for benchmark jobs in the labour market(s) relevant to the organization. Under this method, job content is considered secondarily to ensure internal equity after a preliminary hierarchy is established based on market pay levels for benchmark jobs. All other jobs are "slotted" into the hierarchy based on whole job comparison.

market rate

The employer's best estimate of the wage rate that is prevailing in the external labour market for a given job or occupation.

merit increase

An adjustment to an individual's base pay rate based on performance or some other individual measure.

merit matrix

A methodology using an individual's performance level and placement within the salary range as a means of determining the amount of the pay increase, usually stated as a percentage of base salary.

merit progression

A formula for progressing an employee through a wage structure according to performance, or some other individual equity basis.

merit rating

A method for appraising the performance of an employee with respect to his or her job. It frequently serves as a basis for making pay adjustments, promotion decisions, or work re-assignments.

midpoint

The salary that represents the middle of a given salary range or pay grade.

P

pay for time not worked

Time off work with pay. Typically, it includes holidays, vacations, personal days, approved paid leaves, etc.

pay plan

A schedule of pay rates or ranges for each job in the classification plan. May include rules of administration and the benefits package.

pay policy line

The level at which the organization decides to set its pay against the external market; often the midpoint of the salary structure is set as an estimate of the market going rate.

pay range

The range of pay rates, from minimum to maximum, established for a pay grade or class. Typically used to set individual employee pay rates.

pay steps

Specified levels within a pay range. Employees may progress from step to step on the basis of time-in-grade, performance, or the acquisition of new job skills.

pay-range overlap

The degree to which the pay ranges assigned to adjacent grades in a structure overlap. Numerically, the percentage of overlap between two adjacent pay ranges.

pay-range width

The width or spread of a pay range, measured by the ratio: $\text{width} = (\text{maximum pay} - \text{minimum pay}) / \text{minimum pay}$.

performance management

A systematic approach for managing individuals and/or groups that involves planning, monitoring, appraising, rewarding and improving performance in support of the business strategy.

perquisite

A benefit or "perk" tied to a specific key or management level job (e.g., a company car for personal use, free meals, financial counselling or use of company facilities). A perk's status value often exceeds its financial value.

position

The total duties and responsibilities requiring the employment of a single employee. The total number of positions in an organization equals the number of employees plus vacancies. Also called a job.

promotion

The (re)assignment of an employee to a job in a higher grade or range in the organization's job worth hierarchy.

promotional increase

An increase in a salary or wage rate that accrues to a person because of a promotion to a higher-level job.

R

raise

An increase in salary or wages.

range

(1) For a set of data, the difference between the maximum value and the minimum value.
(2) For a pay grade, the percentage by which the maximum pay exceeds the minimum. Sometimes referred to as the range spread.

reclassification

The (re)assignment of a job to a higher or lower grade or range in the organization's job worth hierarchy due to a job content (re)evaluation and/or significant change in the going rate for comparable jobs in the external labour market.

red circle rate

An individual pay rate that is above the established range maximum assigned to the job grade. The employee is usually not eligible for further base pay increases until the range maximum surpasses the individual pay rate.

regression analysis

The statistical technique of creating a model of a y (dependent) variable as a function of one or more x (independent) variables using the method of least squares.

S

salary

Fixed cash compensation paid by the week, month or year (rather than per hour).

salary structure

The hierarchy of job grades and pay ranges established within an organization. The salary structure may be expressed in terms of job grades, job-evaluation points or policy lines.

scope

A set of quantifiable job characteristics that ascribe value to a job. Typical measures include sales volume, asset size of the organization, number of subordinates and size of budget managed.

scope measurements

In many wage surveys, specific job characteristics such as sales volume or budget are provided to help ensure an appropriate job match. On wage survey questionnaires, there is sometimes an opportunity for respondents to indicate degree of job match, resulting in a general measure of comparative job scope.

service severance pay

A payment made to a departing or retiring employee who meets defined tenure requirements with the employer.

single-rate system

A compensation policy under which all employees in a given job are paid at the same rate instead of being placed in a pay range. Generally applies in situations where there is little room for variation in job performance or skill level.

statistical terms

For analytical purposes, compensation data is usually arranged in order of magnitude, with the most common values being:

Minimum: the lowest compensation value paid to any survey incumbent.

P₁₀: the 10th percentile represents the compensation where 10% of the incumbents are paid below this amount, and 90% are paid above.

P₂₅: the 25th percentile represents the compensation where 25% of the incumbents are paid below this amount, and 75% are paid above.

Average: the average (arithmetic mean) compensation paid to all incumbents.

P₅₀: 50% of the incumbents are paid compensation below this amount, and 50% are paid above.

P₇₅: the 75th percentile represents the compensation where 75% of the incumbents are paid below this amount, and 25% are paid above.

P₉₀: the 90th percentile represents the compensation where 90% of the incumbents are paid below this amount, and 10% are paid above.

Maximum: the highest compensation value paid to any survey incumbent.

step rates

Standard progression pay rates that are established within a pay range. Step rates usually are a function of time in grade and are often referred to as automatic. However, they also can be variable or can be used in conjunction with merit programs.

supplementary vacation

A one time allocation of additional vacation days (other than yearly entitlement) awarded to incumbents after the completion of a specified number of years of service, to be used within a certain time frame (i.e. incumbents are given 5 additional paid days off in addition to their annual vacation entitlement after completion of 10 years of service, and these extra days must be used within 5 years of being granted).

survey

The gathering of information about a situation. Often, surveys consist of sampling data from a population. Examples include a benchmark survey that collects total compensation data for benchmark jobs from a defined labour market, a maturity salary survey that collects both pay and experience data from a defined labour market for benchmark jobs or jobs in a given discipline at a given degree level, and a benefits survey that collects benefits data from a defined labour market.

T

total compensation

Includes salaries, incentives, perquisites (cars, car allowances, etc.), group benefits (life, disability, medical, etc.), retirement and/or savings benefits (pension plan, employer contributions to RRSP, retiring allowances, etc.), and a variety of forms of paid time off.

U

upgrading

The advancement of a job to a higher grade or salary range.

V

vacation

Scheduled amount of time which employees can take off work with pay, in addition to holidays and other paid time off. Amount of vacation entitlement usually increases with tenure in accordance with a formula.

W

wage differential

Differences in wage rates (for similar jobs) that can occur because of location of company, hours of work, working conditions, type of product manufactured, or a variety of other circumstances.

wage level

The average of all salaries paid to workers in an occupation, an industry or group of industries